

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

Agenda ID #16636 (Rev. 4)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5169

September 13, 2018

RESOLUTION

(RES. W- 5169 – OPTION B), SAN GABRIEL VALLEY WATER COMPANY. ORDER DENYING SAN GABRIEL’S REQUEST TO AMORTIZE THE UNDER-COLLECTED BALANCES CONTAINED IN ITS DROUGHT LOST REVENUE MEMORANDUM ACCOUNT AND IN ITS DROUGHT SURCHARGE REVENUE MEMORANDUM ACCOUNT FOR ITS LOS ANGELES AND FONTANA DIVISIONS.

By Advice Letter Nos. 507-W and 508-W filed on December 8, 2017.

SUMMARY

By Advice Letter (AL) Nos. 507-W and 508-W, filed on December 8, 2017, San Gabriel Valley Water Company (San Gabriel) seeks authorization to recover the net under-collected balances contained in its Drought Lost Revenue Memorandum Account (DLRMA) and in its Drought Surcharge Revenue Memorandum Account (DSRMA) existing as of November 30, 2017 by amortizing; (1) the under-collected balance of \$3,532,149 for its Los Angeles Division and the under-collected balance of \$3,586,304 for its Fontana Division over a 12-month period through a temporary surcharge of \$0.2946 per 100 cubic feet (Ccf) for the Los Angeles Division and over a 24-month period through a temporary surcharge of \$0.1254 per Ccf for the Fontana Division respectively. San Gabriel also requests to transfer these balances to the Previously Authorized Balance Balancing Account (PABBA) for amortization, and to close both the DLRMA and DSRMA memorandum accounts.

This Resolution denies San Gabriel’s request to amortize these memorandum accounts through Tier 3 advice letter filings and rejects Advice Letter Nos. 507-W and 508-W without prejudice. Instead, San Gabriel is ordered to report the balances in the DLRMA and DSRMA for its Fontana and Los Angeles Divisions for review as part of its January

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

2019 general rate case proceeding. San Gabriel shall also propose adjustments to its rates in the context of its general rate case application for the balances reported.

BACKGROUND

By Resolution W-4976, the Commission authorized San Gabriel to establish DLRMA's for both its Los Angeles and Fontana Divisions to track the revenue impact of voluntary conservation or mandatory rationing effective June 1, 2015. This account was used by San Gabriel to record the lost revenues due to implementation of Tariff Rule 14.1, Water Shortage Contingency Plan under General Order (G.O.) 96-B, Water Industry Rule 7.3.3(7) from July 2016 through April 2017 for Los Angeles and from February 2016 through April 2017 for Fontana in the DLRMA.

San Gabriel's Schedule 14.1, Staged Water Shortage Surcharges and Penalties established San Gabriel's DSRMA, effective June 22, 2015. San Gabriel tracked the surcharges and penalties in the DSRMA from January 2016 through July 2016 for Los Angeles and from February 2016 through September 2016 for Fontana. The net under-collections in the DLRMA and the DSRMA for Los Angeles and Fontana after adjustments were \$3,532,149 and \$3,586,304 respectively. These balances are as of November 30, 2017 and include accrued interest.

By Advice Letters No. 507-W and 508-W filed on December 8, 2017, San Gabriel seeks Commission authorization to transfer the accumulated balance in DLRMA minus the balance from DSRMA from July 2016 through April 27, 2017, the date the drought emergency officially ended, including interest through November 30, 2017. The amounts requested to be transferred to the PABBA and recovered through the PABBA are: \$3,532,149, or 4.9% of the adopted revenue requirement, to be recovered through a surcharge of \$0.2946 per Ccf for the Los Angeles Division over a period of 12-months; and \$3,586,304, or 5.1% of the adopted revenue requirement, to be recovered through a surcharge of \$0.1254 per Ccf over a period of 24-months for the Fontana Division. After transfer to the PABBA for amortization, San Gabriel proposes to close both the DLRMA and DSRMA.

DISCUSSION

We have reviewed San Gabriel's filings and have concluded that the public interest is best served by having these memorandum accounts reviewed and rate recovery sought

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

in the context of San Gabriel's general rate case application scheduled to be filed January 1, 2019.

A utility general rate case proceeding provides for a comprehensive review of utility's expenses and capital expenditures used to establish an authorized revenue requirement by which rates are designed. Given the nexus of reduced revenues from the drought and the Commission-authorized revenue requirement, the balances in the DLRMA for the Fontana and Los Angeles Divisions should be reviewed in the context of the Commission's general rate case review for San Gabriel in establishing its authorized revenue requirement. Similarly, the incremental revenues received from implementation of San Gabriel's Rule and Schedule 14.1 associated with the drought and tracked in the DSRMA should be reviewed at the same time as the DLRMA is reviewed in the context of a general rate case proceeding.

As such, San Gabriel's request sought in Advice Letter Nos. 507-W and 508-W should be denied and the Advice Letters rejected without prejudice. Instead, San Gabriel should be ordered to report on the balances in the DLRMA and DSRMA for the Fontana and Los Angeles Divisions and propose adjustment to rates based on these balances in the context of its forthcoming general rate case proceeding scheduled to be filed January 1, 2019.

NOTICE AND PROTEST

San Gabriel served Advice Letter Nos. 507-W and 508-W in accordance with General Order 96-B, Water Industry Rules 4.1 and 4.3. No protests were received.

On January 7, 2018, Water Division suspended Advice Letter Nos. 507-W and 508-W because additional time was required to process the AL filings.

SAFETY CONSIDERATIONS

The denial of San Gabriel's requested amortization of the memorandum accounts will not adversely impact San Gabriel's ability to safely operate and maintain its operations for the benefit of its customers, employees, and members of the public.

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

COMMENTS

Public Utilities Code § 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the commission.

Accordingly, this draft Resolution was mailed to the utility and made available for public comment on June 25, 2018 with comments due July 16, 2018.

Comments were filed by San Gabriel on July 13, 2018 and the California Water Association on July 16, 2018. San Gabriel argues that Res. W-5169 (Option B) should be rejected. San Gabriel notes that its previous requests for recovery (AL 478-A and 484) were reviewed and resolved by Commission Resolutions W-5110 and W-5113, respectively. San Gabriel argues that duplicating Water Division's review of AL 507 and 508 and delaying resolution of this issue to a future general rate case would not serve the public interest, including concerns with "potential for temporal inequities" (Comments at p. 7) and "rate shock" (Comments at p. 8) when amortization of memorandum accounts would coincide with general rate increases. San Gabriel concludes that there is no nexus between the amortization of lost revenues during 2016 and 2017 and the review of projected costs for the test year 2020-2021. The California Water Association's comments are repetitive to those previously filed by San Gabriel.

We have reviewed and considered each of San Gabriel's arguments for rejecting Res. W-5169 (Option B). We are convinced that amortization of uncollected past revenues should be reviewed in conjunction with the Commission's review of San Gabriel's revenue requirement in its forthcoming general rate case. A utility's general rate case is the primary proceeding for setting rates. As such, the Commission should generally consider most utility requests for rate changes in this regard where requests can be considered holistically rather than in a piecemeal fashion through various advice letter filings.

FINDINGS AND CONCLUSIONS

1. The Commission authorized San Gabriel to establish Drought Lost Revenue Memorandum Accounts for both its Los Angeles and Fontana Divisions to track the revenue impact of voluntary conservation or mandatory rationing effective June 1, 2015.

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

2. San Gabriel's Schedule 14.1, Staged Water Shortage Surcharges and Penalties established San Gabriel's Drought Surcharge Revenue Memorandum Account, effective June 22, 2015.
3. San Gabriel filed Advice Letter Nos. 507-W and 508-W to request amortization of the net under-collected balance of its Drought Lost Revenue Memorandum Account and the Drought Surcharge Revenue Memorandum Account for both is Los Angeles and Fontana Divisions.
4. Utility general rate case proceedings provide for a comprehensive review of a utility's expenses and capital expenditures used to establish a utility's authorized revenue requirement.
5. The Drought Lost Revenue Memorandum Account tracks the difference between Commission authorized revenue requirement and actual revenues received during the declared drought.
6. The Drought Surcharge Revenue Memorandum Account tracks incremental revenue above authorized revenue requirement from surcharges and penalties provided for in San Gabriel's implementation of its Tariff Rule 14.1, Water Shortage Contingency Plan, and Tariff Schedule 14.1.
7. San Gabriel properly established the Drought Lost Revenue Memorandum Account and the Drought Surcharge Revenue Memorandum Accounts.
8. The public interest is served by reviewing the balances in the Drought Lost Revenue Memorandum Account and the Drought Surcharge Revenue Memorandum Account for both the Los Angeles and Fontana Divisions in San Gabriel's next general rate case application scheduled to be filed January 1, 2019.
9. Comments on the draft resolution were received from San Gabriel on July 13, 2018 and the California Water Association on July 16, 2018.

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

THEREFORE, IT IS ORDERED THAT:

1. San Gabriel Valley Water Company's requests in Advice Letter Nos. 507-W and 508-W are denied and Advice Letter Nos. 507-W and 508-W are rejected without prejudice.
2. San Gabriel Valley Water Company shall report on the balances in its Drought Lost Revenue Memorandum Accounts and the Drought Surcharge-Revenue Memorandum Accounts for its Fontana and Los Angeles Divisions in the Company's forthcoming general rate case proceeding scheduled to be filed January 1, 2019. San Gabriel Valley Water Company shall also propose adjustments to its rates for the reported balances in the context of its general rate case proceeding.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 13, 2018 the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

SAN GABRIEL VALLEY WATER COMPANY ADVICE LETTER NO. 507-W AND 508-W SERVICE LIST

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15900 East Main Street
La Puente, CA 91744

City of Montebello
1600 West Beverly Boulevard
Montebello, CA 90640

City of Pico Rivera Water Department
6615 Passons Boulevard
Pico Rivera, CA 90660

City Clerk, City of West Covina
1444 West Garvey Avenue
West Covina, CA 91790

San Gabriel County Water District
8366 East Grand Avenue
Rosemead, CA 91770

City Clerk, City of South El Monte
1415 Santa Anita Avenue
South El Monte, CA 91733

City of Whittier Water Department
13230 East Penn Street
Whittier, CA 90602

City of Colton Water Department
650 North La Cadena Drive
Colton, CA 92324

Cucamonga Valley Water District
Post Office Box 638
Rancho Cucamonga, CA 91730

Chuck Hays
Public Works Director
City of Fontana Public Service Department
16489 Orange Way
Fontana, CA 92335

West Valley Water District
Post Office Box 920
Rialto, CA 92377

La Puente Valley County Water District
112 North 1st Street
La Puente, CA 91744

City of Monterey Park Water Department
320 West Newmark Avenue
Monterey Park, CA 91754

Pico Water District
Post Office Box 758
Pico Rivera, CA 90660-0758

City Clerk, City of San Gabriel
425 South Mission Drive
San Gabriel, CA 91778

City of Santa Fe Springs Water Department
Post Office Box 2120
Santa Fe Springs, CA 90670

Valley County Water District
14521 East Ramona Boulevard
Baldwin Park, CA 91706

City Clerk, City of Rosemead
8838 Valley Boulevard
Rosemead, CA 91770

City of Ontario Water Department
303 East B Street
Ontario, CA 91764

City of Rialto Water Department
150 South Palm Avenue
Rialto, CA 92376

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240 West Huntington Drive
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PROPOSED RESOLUTION

Resolution W-5169 (Option B)
WD

September 13, 2018 (Rev. 4)

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